Joint Committee on Taxation
June 18, 1984
JCX-21-84

The attached items were provided for the information of the conferees only and do not necessarily reflect any decisions made in the conference.

Certain Conference Issues

I. Tax Freeze; Tax Reforms Generally

H. Pension and Welfare Benefit Plan Provisions

69.	Welfare benefit plans	Senate recedes with the following modifications: Accept the possible House offer, but exempt from the deduction limitations all collectively bargained plans.

V. Fringe Benefits

168.	General rule, moratorium.	Senate recedes, with technical amendment providing regulatory authority to allow less frequent rate of withholding, at a flat rate, on taxable non-cash benefits.
169.	No-additional cost service.	Senate recedes.
170.	Qualified employee discount.	Senate recedes with an amendment. The amendment would expand the grandfather rule to relax the line of business limitation, with respect to existing lines of business of any employers who on January 1, 1984, provided substantially all employees in all lines of business a service or product from another line of business. This rule also would apply to no additional-cost service, except in the case of reciprocal arrangements with other employees. The grandfather rule would not apply if, in any prior year, the aggregate value of the excluded goods and services exceeded 1 percent of aggregate payroll, unless

		the employer pays a 30-percent nondeductible excise tax on the excess. The proposal would also retain the grandfather rule in the House bill.
171.	Working condition fringe.	Senate recedes, with amendment limiting special exclusion for auto salesmen to full-time salesmen.
172.	De minimis fringe.	Senate recedes, with amendment which deletes aggregation rule but provides that frequency with which similar fringe benefits are provided is taken into account in determining exclusion.
173.	Athletic facilities.	Senate recedes.
174.	Tuition reduction.	Senate recedes, with amendment providing for no special exclusion for graduate assistants. There would be a requirement that tuition reduction be offered on a nondiscriminatory basis to all employees of the institution.
175.	Nondiscrimination requirements.	Senate recedes. House would accept the Senate offer on parking.
176.	Cafeteria plans.	Open.
177.	Coordination with other exclusions.	Senate recedes.
		Effective date.--Senate recedes, with amendment making provision effective January 1, 1985, except that tuition reduction provisions would be effective July 1, 1985.

X. Miscellaneous Revenue Provisions

C. Exempt Organization Provisions

202.	Acquisition indebtedness of certain education institutions and certain corporations managing property for tax-exempt organization (p. 292)	(a) House recedes with the following modifications: (1) in the case of real property acquired by a partnership, the exception would apply only if the exempt organization is allocated the same percentage share of each partnership item of income, gain, loss, deduction, credit and basis, excluding allocations with respect to contributed property (i.e., would permit a "straight-up allocation" generally similar to the tax-exempt leasing rule), the share remains the same during the entire period the organization is a partner, and the allocation has a substantial economic effect; (2) Treasury would have regulatory authority to subject to tax the assets of a segregated asset account if the account is used to circumvent the acquisition indebtedness rules; (3) Statement of Managers would provide support for rulings characterizing a transfer of property with liabilities in excess of basis as a part-sale, part-gift transaction. Effective date: The exception generally would apply to property acquired or indebtedness incurred after the date of enactment. Transition rules generally similar to those in the tax-exempt entity leasing provisions would be provided. (b) Senate recedes.